

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 SP-02 AID-05 EB-04 NSC-05 RSC-01

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FM AMEMBASSY CAIRO

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E.O. 11652: N/A

TAGS: EFIN EINV EG

SUBJECT: DEVELOPMENTS ON THE BANKING FRONT

REF: CAIRO 7523

1. GUENTHER NEUBERT, MANAGER OF CHASE MANHATTAN IN EGYPT, REPORTS HE HAS BEEN INFORMED THAT PERMISSION HAS NOW BEEN GRANTED FOR THE ESTABLISHMENT OF A JOINT VENTURE BANK, TO BE KNOWN AS CHASE MANHATTAN EGYPT, BETWEEN HIS COMPANY AND THE NATIONAL BANK OF EGYPT.

2. THE DECISION OF THE AUTHORITY ON FOREIGN INVESTMENTS AND FREE ZONES, CHAIRED BY TAHER AMIN, MINISTER OF ECONOMIC COOPERATION, WAS REPORTEDLY REACHED EARLY ON THE MORNING OF THE 15TH, AFTER A LONG AND HEATED SESSION. NEUBERT HAS THE IMPRESSION THAT THE REPRESENTATIONS MADE BY THE AMBASSADOR TO PRESIDENT SADAT (REFTEL) WERE A MAJOR FACTOR IN SPURRING THE GOE TO ACTION OVER THE RESISTANCE OF VARIOUS ELEMENTS BOTH WITHIN AND OUTSIDE THE ADMINISTRATION.

3. NEUBERT IS PLEASED WITH THIS DEVELOPMENT, WHICH CULMINATES
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A SIX-MONTH STRUGGLE TO GET HIS OPERATION GOING. HE RECOG-

NIZES THAT IT CONSTITUTES A HIGHLY SIGNIFICANT STEP IN THE DIRECTION OF ECONOMIC LIBERATION ON WHICH THE SADAT REGIME IS EMBARKED, BUT HIS KEY CONCERN SEEMS TO BE THAT HE DID INDEED GET THE JUMP ON HIS COMPETITORS. (WE UNDERSTAND THAT PERMISSION HAS ALSO BEEN GRANTED FOR A JOINT VENTURE BETWEEN FIRST NATIONAL OF CHICAGO, BANCO DI ROMA AND BANK MISR. SINCE THEY HAVE NO PERSONNEL IN PLACE, IT WILL PROBABLY TAKE THEM A LITTLE LONGER TO BECOME OPERATIONAL.) HE IS ALREADY TENTATIVELY PLANNING TO OFFICIALLY OPEN THE DOORS DURING THE VISIT OF DAVID ROCKEFELLER, PRESENTLY SCHEDULED FOR ABOUT THE MIDDLE OF NEXT JANUARY.

4. DESPITE NEUBERT'S ENTHUSIASM, HE MAY STILL FACE A FEW MORE HURDLES BEFORE EVERYTHING IS IN ORDER. HE WILL FIRST HAVE TO PREPARE, PROBABLY WITH THE HELP OF A LAWYER FROM THE HEAD OFFICE, THE FORMAL APPLICATION FOR THE ISSUANCE OF THE REQUIRED PRESIDENTIAL DECREE. THIS DOCUMENTATION MUST INCLUDE THE STATUTES AND ARTICLES OF INCORPORATION FOR A JOINT STOCK COMPANY, PATTERNED AFTER THE MODEL OF STATUTES ADOPTED BY THE COUNCIL OF MINISTERS ON THE BASIS OF THE PROPOSALS MADE BY THE AUTHORITY FOR FOREIGN INVESTMENTS AND FREE ZONES. SINCE THE MODEL STATUTES HAVE NOT YET BEEN DEVELOPED, A CERTAIN AMOUNT OF TIME WILL BE REQUIRED BEFORE THE PROCEDURE BEGINS TO WORK SMOOTHLY.

5. AS AN ADDITIONAL OBSTACLE, CHASE HAS NOT YET RECEIVED THE PERMISSION OF THE FEDERAL RESERVE TO UNDERTAKE THE JOINT VENTURE. APPLICATION WAS MADE ON JULY 22, ACCORDING TO NEUBERT, WHO SAYS THAT THE DELAY IS RELATED TO THE LARGE NUMBER OF PENDING APPLICATIONS, AND THE LARGER QUESTION OF BANK OVER-EXTENSION AND CAPITAL SHORTAGES.

6. THE MATTER OF FOREIGN BANK PARTICIPATION IN EGYPT'S DEVELOPMENT WAS RAISED BY SECRETARY SIMON LAST AUGUST DURING HIS TALK WITH PRESIDENT SADAT, WHO AGREED THAT THEY COULD PLAY AN IMPORTANT AND CONSTRUCTIVE ROLE. NOW THAT CHASE, AND THIS EMBASSY, HAVE SUCCESSFULLY URGED THE GOE TO TAKE A MAJOR STEP TOWARD THE FULL OPERATION OF AN AMERICAN BANK, WE CAN EXPECT THEM TO LEAN HEAVILY ON CHASE TO BE READY TO DO SO THE MOMENT THE WAY IS CLEAR. WHILE THE EXACT TIMING OF THIS LATTER LIMITED OFFICIAL USE

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DEVELOPMENT IS STILL UNCERTAIN, THERE IS NOW SUFFICIENT REASON FOR THE FRB TO BE APPROACHED TO DETERMINE THE STATUS OF THE CHASE APPLICATION.

7. ACTION REQUESTED: RECOMMEND DEPT AND TREASURY BRING TO FRB'S ATTENTION THE ECONOMIC AND POLITICAL SIGNIFICANCE OF THE PROPOSED CHASE AND OTHER AMERICAN BANKS' VENTURES IN EGYPT AND URGE PROMPT AND FAVORABLE ACTION.

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